

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



W-01651B
Vail Water Company
1010 N. Finance Center Dr., Ste 200
Tucson, AZ 85710

RECEIVED

FEB 08 2008

CORP COMM
Director Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2007
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FOR COMMISSION USE

ANN 04	07
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PROCESSED BY:

2-11-08

SCANNED

COMPANY INFORMATION

Company Name (Business Name) <u>VAIL WATER COMPANY, INC.</u>		
Mailing Address <u>P.O. BOX 13066 1010 N Finance Center Dr # 200</u>		
(Street)		
<u>TUCSON</u>	<u>AZ</u>	<u>85710</u>
(City)	(State)	(Zip)
<u>85732-3066</u>		
<u>520-571-1958</u>	<u>520-571-1961</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)
Email Address _____		
Local Office Mailing Address <u>1010 N. FINANCE CENTER DRIVE</u> <u># 200</u>		
(Street)		
<u>TUCSON</u>	<u>AZ</u>	<u>85710</u>
(City)	(State)	(Zip)
<u>520-571-1958</u>	<u>520-517-1961</u>	
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)
Email Address _____		

MANAGEMENT INFORMATION

Management Contact: <u>CHRISTOPHER VOLPE</u>		<u>Vice President/Treasurer</u>	
(Name)		(Title)	
<u>1010 N. FINANCE CENTER DRIVE</u>	<u>TUCSON</u>	<u>AZ</u>	<u>85710</u>
(Street)	(City)	(State)	(Zip)
<u>520-571-1958</u>	<u>520-571-1961</u>		
Telephone No (Include Area Code)	Fax No. (Include Area Code)	Cell No (Include Area Code)	
Email Address <u>KVOLPE@ESTESCO.NET</u>			
On Site Manager: <u>MANNY OROS</u>			
(Name)			
<u>14155 E. VIA RANCHO DEL LAGO</u>	<u>VAIL</u>	<u>AZ</u>	<u>85641</u>
(Street)	(City)	(State)	(Zip)
<u>520-647-3679</u>	<u>520-647-3825</u>	<u>520-730-4730</u>	
Telephone No (Include Area Code)	Fax No. (Include Area Code)	Cell No (Include Area Code)	
Email Address _____			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: <u>LINDA YANEY</u>			
<u>1010 N. FINANCE CENTER DRIVE</u>	<u>TUCSON</u>	<u>AZ</u>	<u>85710</u>
(Street)	(City)	(State)	(Zip)
<u>520-571-1958</u>	<u>520-571-1961</u>		
Telephone No (Include Area Code)	Fax No. (Include Area Code)	Cell No (Include Area Code)	
Email Address <u>LYANEY@ESTESCO.NET</u>			
Attorney: <u>RICHARD SALLQUIST</u>			
(Name)			
<u>2525 E. ARIZONA BILTMORE CIRCLE SUITE 117</u>	<u>PHOENIX</u>	<u>AZ</u>	<u>85016</u>
(Street)	(City)	(State)	(Zip)
<u>602-224-9222</u>	<u>602-224-9366</u>		
Telephone No (Include Area Code)	Fax No. (Include Area Code)	Cell No (Include Area Code)	

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:	
<input type="checkbox"/> Sole Proprietor (S) <input type="checkbox"/> Partnership (P) <input type="checkbox"/> Bankruptcy (B) <input type="checkbox"/> Receivership (R) <input type="checkbox"/> Other (Describe) _____	<input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) <input checked="" type="checkbox"/> Subchapter S Corporation (Z) <input type="checkbox"/> Association/Co op (A) <input type="checkbox"/> Limited Liability Company

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:		
<input type="checkbox"/> APACHE <input type="checkbox"/> GILA <input type="checkbox"/> LA PAZ <input type="checkbox"/> NAVAJO <input type="checkbox"/> SANTA CRUZ <input type="checkbox"/> STATEWIDE	<input type="checkbox"/> COCHISE <input type="checkbox"/> GRAHAM <input type="checkbox"/> MARICOPA <input checked="" type="checkbox"/> PIMA <input type="checkbox"/> YAVAPAI	<input type="checkbox"/> COCONINO <input type="checkbox"/> GREENLEE <input type="checkbox"/> MOHAVE <input type="checkbox"/> PINAL <input type="checkbox"/> YUMA

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			-
302	Franchises			-
303	Land and Land Rights	17,750		17,750
304	Structures and Improvements	395,446	66,917	328,529
307	Wells and Springs	1,126,979	294,446	832,533
311	Pumping Equipment	1,549,770	365,991	1,183,779
320	Water Treatment Equipment			-
330	Distribution Reservoirs and Standpipes	1,592,845	194,951	1,397,894
331	Transmissions and Distribution Mains	13,452,019	1,471,679	11,980,340
333	Services	12,451	12,451	-
334	Meters and Meter Installations	809,302	98,436	710,866
335	Hydrants	354,032	12,745	341,287
336	Backflow Prevention Devices	5,776	5,367	409
339	Other Plant and Misc. Equipment	6,553	6,553	-
340	Office Furniture and Equipment	45,212	17,499	27,713
341	Transportation Equipment	51,857	36,695	15,162
343	Tools, Shop and Garage Equipment			-
344	Laboratory Equipment			-
345	Power Operated Equipment			-
346	Communication Equipment			-
347	Miscellaneous Equipment			-
348	Other Tangible Plant			-
	TOTALS	19,419,992	2,583,730	16,836,262

This amount goes on the Balance Sheet Acct. No. 108



CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1 x 2)
301	Organization			
302	Franchises			
303	Land and Land Rights	17,750		-
304	Structures and Improvements	395,446	2.80%	11,072
307	Wells and Springs	1,126,979	3.20%	36,063
311	Pumping Equipment	1,549,770	3.60%	55,792
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	1,592,845	2.00%	31,857
331	Transmissions and Distribution Mains	13,452,019	2.00%	269,040
333	Services	12,451	3.30%	-
334	Meters and Meter Installations	809,302	3.60%	29,135
335	Hydrants	354,032	3.60%	12,745
336	Backflow Prevention Devices	5,776	3.60%	208
339	Other Plant and Misc. Equipment	6,553	3.60%	-
340	Office Furniture and Equipment	45,212	6.80%	3,074
341	Transportation Equipment	51,857	13.30%	6,897
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	19,419,992		455,884

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 365,734	\$ 237,292
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	174,394	141,635
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments	13,329	14,961
174	Miscellaneous Current and Accrued Assets	76,791	67,876
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 630,248	\$ 461,764
	FIXED ASSETS		
101	Utility Plant in Service	\$ 16,127,417	\$ 19,419,992
103	Property Held for Future Use		
105	Construction Work in Progress	514,662	88,475
108	Accumulated Depreciation - Utility Plant	(2,155,521)	(2,583,730)
121	Non-Utility Property	2,701,165	2,805,395
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	\$ 17,187,723	\$ 19,730,132
	TOTAL ASSETS	\$ 17,817,971	\$ 20,191,896

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 184,204	\$ 136,284
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	1,047,503	959,033
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 1,231,707	\$ 1,095,317
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds		
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$ -	\$ -
252	Advances in Aid of Construction	11,556,249	13,987,183
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 11,556,249	\$ 13,987,183
	TOTAL LIABILITIES	\$ 12,787,956	\$ 15,082,500
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 638,099	\$ 638,099
211	Paid in Capital in Excess of Par Value	2,445,314	2,445,314
215	Retained Earnings	1,946,602	2,025,984
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 5,030,015	\$ 5,109,397
	TOTAL LIABILITIES AND CAPITAL	\$ 17,817,971	\$ 20,191,896

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.		PRIOR YEAR	CURRENT YEAR
	OPERATING REVENUES		
461	Metered Water Revenue	\$ 1,922,228	\$ 2,106,882
460	Unmetered Water Revenue		
474	Other Water Revenues	977,433	306,460
	TOTAL REVENUES	\$ 2,899,661	\$ 2,413,342
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 263,390	\$ 259,202
610	Purchased Water		
615	Purchased Power	167,810	168,018
618	Chemicals	2,242	2,520
620	Repairs and Maintenance	70,309	56,928
621	Office Supplies and Expense	64,523	68,979
630	Outside Services	385,820	450,503
635	Water Testing	12,739	17,334
641	Rents	36,233	20,136
650	Transportation Expenses	22,020	23,521
657	Insurance - General Liability	40,858	48,702
659	Insurance - Health and Life	30,953	26,813
666	Regulatory Commission Expense - Rate Case	100,406	180,147
675	Miscellaneous Expense	128,776	88,599
403	Depreciation Expense	379,042	455,884
408	Taxes Other Than Income		
408.11	Property Taxes	97,859	133,706
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 1,802,980	\$ 2,000,992
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ 128,544	\$ 126,686
421	Non-Utility Income	161,207	100,604
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(10,928)	(10,258)
	TOTAL OTHER INCOME/EXPENSE	\$ 278,823	\$ 217,032
	NET INCOME/(LOSS)	\$ 1,375,504	\$ 629,382

COMPANY NAME	Vail Water Company	2007
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SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued				
Amount Outstanding				
Date of Maturity				
Interest Rate				
Current Year Interest				
Current Year Principal				

Meter Deposit Balance at Test Year End \$ 959,033

Meter Deposits Refunded During the Test Year \$ 232,000

COMPANY NAME	
Name of System:	ADEQ Public Water System Number:

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
SS-625703	100	600	614	12	8	1974
SS-087817	200	700	759	14	8	1981
SS-087816	300	1200	845	14	10	1981
SS-087814	300	975	924	14	8	1981

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	3	407	
20	6		
25	4		
30	7		
50	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
600,000	1		
550,000	1		
500,000	2		
290,000	1		
100,000	2		

Note: If you are filing for more than one system, please provide separate sheets for each system.

WATER COMPANY PLANT DESCRIPTION (CONTINUED)**MAINS**

Size (in inches)	Material	Length (in feet)
2		5,434
3		
4		55,658
5		
6		159,396
8		161,535
10		16,830
12		114,823

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	3,384
3/4	90
1	18
1 1/2	14
2	33
Comp. 3	9
Turbo 3	
Comp. 4	-
Turbo 4	
Comp. 6	1
Turbo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Accutab tablet chlorination system
with a .2 residual of calcium hypochloride

STRUCTURES:**ADMINISTRATIVE OFFICE**

New office 57' x 35' 1995 # steel building

OTHER:

N/A

COMPANY NAME	Vail Water Company	2007
Name of System	ADEQ Public Water System Number (if applicable)	10041

WATER USE DATA SHEET BY MONTH FOR CALENDER YEAR 2007

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	3,447	24,486	26,558	0
FEBRUARY	3,468	23,981	25,372	0
MARCH	3,463	22,967	26,031	0
APRIL	3,476	32,719	34,916	0
MAY	3,486	29,291	35,662	0
JUNE	3,520	41,131	74,241	0
JULY	3,510	37,012	64,845	0
AUGUST	3,529	28,925	41,126	0
SEPTEMBER	3,518	31,023	43,035	0
OCTOBER	3,551	30,450	47,883	0
NOVEMBER	3,558	32,037	37,857	0
DECEMBER	3,549	22,948	25,024	0
TOTALS --->		356,970	482,550	0

What is the level of arsenic for each well in your system.

(If more than one well, please list each separately)

n/a	Well 1 mg/l
n/a	Well 2
0.004	Well 3
0.002	Well 5
0.002	Well 6
0.004	Well 8

If system has fire hydrants, what is the fire flow requirement? 1,000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?

(☒) Yes () No

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(☒) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

(☒) Yes () No

If yes, provide the GPCPD amount: 122pppd

Note: If you are filing for more than one system, please provide separate data sheets for each system.

Company Name VAIL WATER COMPANY, INC. YEAR ENDING 12/31/07

PROPERTY TAXES

Amount of actual property taxes paid during Calender Year 2007 was \$ 114,336.90

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calender year.

If no property taxes paid, explain below:

Beth Ford
Pima County Treasurer



Patti Davidson
Chief Deputy Treasurer

PIMA COUNTY TREASURER'S OFFICE

PIMA COUNTY TAX RECEIPT

VAIL WATER CO
ATTN: CHRISTOPHER VOLPE/VICE PRESIDENT
1010 N FINANCE CENTER DRIVE SUITE 200
TUCSON AZ 85710

THIS IS YOUR RECEIPT FOR PAYMENT(S) OF 2006 REAL ESTATE TAXES

BOOK	MAP	PARCEL	TOTAL TAX ASSESSED	DATE
907	52	0000	\$ 104,002.90	4/27/2007

PAYMENTS

PAYMENT DATE	DESCRIPTION	TAX PAID	INTEREST PAID	FEES PAID	TOTAL
04/27/2007	SECOND HALF	\$52,001.45	\$0.00	\$0.00	\$52,001.45
	TOTAL PAID	\$52,001.45	\$0.00	\$0.00	\$52,001.45

PROPERTY ADDRESS

TAX YEAR 2006 BALANCE DUE

DESCRIPTION	AMOUNT
FIRST HALF TAX DUE	\$0.00
SECOND HALF TAX DUE	\$0.00
NSF FEE DUE	\$0.00
RECLAIMED REFUND DUE	\$0.00
TOTAL AMOUNT DUE	\$0.00

Thank you for your payment!

BETH FORD
PIMA COUNTY TREASURER

Beth Ford
Pima County Treasurer



Patti Davidson
Chief Deputy Treasurer

PIMA COUNTY TREASURER'S OFFICE

PIMA COUNTY TAX RECEIPT

VAIL WATER CO
1010 N FINANCE CENTER DR STE 200
TUCSON AZ 85710-1357

THIS IS YOUR RECEIPT FOR PAYMENT(S) OF 2006 REAL ESTATE TAXES

BOOK	MAP	PARCEL	TOTAL TAX ASSESSED	DATE
305	04	001L	\$ 580.60	4/27/2007

PAYMENTS					
PAYMENT DATE	DESCRIPTION	TAX PAID	INTEREST PAID	FEES PAID	TOTAL
04/27/2007	SECOND HALF	\$33.62	\$0.00	\$0.00	\$33.62
TOTAL PAID		\$33.62	\$0.00	\$0.00	\$33.62

PROPERTY ADDRESS	TAX YEAR 2006 BALANCE DUE	
	DESCRIPTION	AMOUNT
13935 E COLOSSAL CAVE RD	FIRST HALF TAX DUE	\$0.00
	SECOND HALF TAX DUE	\$0.00
	NSF FEE DUE	\$0.00
	RECLAIMED REFUND DUE	\$0.00
	TOTAL AMOUNT DUE	\$0.00

Thank you for your payment!

BETH FORD
PIMA COUNTY TREASURER

VAIL WATER COMPANY
1010 N FINANCE CENTER DR, STE 200
TUCSON, AZ 85710
(520) 571-1958

BANK OF TUCSON
TUCSON, ARIZONA 85732
91-556-1221

4/13/2007

PAY TO THE ORDER OF Beth Ford, Pima County Treasurer

\$ **52,035.07

Fifty-Two Thousand Thirty-Five and 07/100*****

DOLLARS

Beth Ford, Pima County Treasurer
Pima County Treasurer's Office
PO Box 98765
Phoenix, AZ 85038-0765

TWO SIGNATURES REQUIRED

MEMO

⑈008623⑈ ⑆122105566⑆ 700⑈000⑈3⑈

/AIL WATER COMPANY

8623

Beth Ford, Pima County Treasurer

4/13/2007

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
4/1/2007	Bill	30504001L4 2/06	33.62	33.62		33.62
4/1/2007	Bill	9075200003	52,001.45	52,001.45		52,001.45
				Check Amount		52,035.07

Bank of Tucson

52,035.07

/AIL WATER COMPANY

8623

Beth Ford, Pima County Treasurer

4/13/2007

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
4/1/2007	Bill	30504001L4 2/06	33.62	33.62		33.62
4/1/2007	Bill	9075200003	52,001.45	52,001.45		52,001.45
				Check Amount		52,035.07

Bank of Tucson

52,035.07

PIMA COUNTY TREASURER'S OFFICE**TAX PAYMENT RECEIPT**

Paid Date 10/29/2007

Batch Number I071029121

Paid by Code 01

VAIL WATER COMPANY
 1010 N. FINANCE CENTER DR., STE. 200
 TUCSON, AZ 85710

Method Amount

CK \$62,301.83

Total Amount Paid \$62,301.83

Total Tax Amount Paid \$62,301.83

Total Interest Amount Paid \$0.00

Total Refund Due \$0.00

PARCEL NUMBER	TAX PAID	INTEREST PAID	TOTAL PAID	PAYMENT TYPE	LEGAL DESCRIPTION
30504001V	\$12.05	\$0.00	\$12.05	FIRST HALF	CTRL PTN W2 NW4 .28 AC SEC 10-16-16 (11536/1623)
30508001D	\$12.05	\$0.00	\$12.05	FIRST HALF	S80' N131.31' W80' E1147.41' NE4 .15 AC SEC 8-16-16
305110280	\$19.62	\$0.00	\$19.62	FIRST HALF	WELLSITE BNG W116.16' OF E1230.76' OF S125' OF SE4 SE4 .33 AC SEC 14-16-16 (ACC 0053195-8) TOTAL VALUE OF OPERATING PROPERTY - TAXPAYER GROUP NO 075
30512008B	\$14.88	\$0.00	\$14.88	FIRST HALF	SUCCESS 100' X 100' WELLSITE BLK 1 TOTAL VALUE OF OPERATING PROPERTY - TAXPAYER GROUP NO 075 (ACC 0053195-8)
305140110	\$14.88	\$0.00	\$14.88	FIRST HALF	TUCSON PARK NO 1 WELLSITE ADJ TO NW LINE LOT 2 TOTAL VALUE OF OPERATING PROPERTY-TAXPAYER GROUP

Account Number	Amount	Balance	Due Date	Payment Status	Description
30520001C	\$62.30	\$0.00	\$62.30	FIRST HALF	NO 075 (ACC 0053195-8) RINCON VIEW ESTATES S125' N140' LOT 1
305392090	\$44.65	\$0.00	\$44.65	FIRST HALF	N100' OF W100' OF E2367' OF NE4 .23 AC SEC 10-17-16 (FORMERLY 305-39-030K) TOTAL VALUE OF OPERATING PROPERTY-GROUP 075 (ACC 0053195-8) (FORMERLY 305-39- 0550)
305900930	\$18.04	\$0.00	\$18.04	FIRST HALF	VAIL RANCH LOT 0061
907520000	\$61,969.02	\$0.00	\$61,969.02	FIRST HALF	TOTAL VALUE OF OPERATING PROPERTY - TAXPAYER GROUP NO 075 (ACC 0053195-8)
30504001L	\$98.19	\$0.00	\$98.19	FIRST HALF	PT OF SW4 SE4 LYG N OF & ADJ TO COLOSSAL CAVE RD .50 AC SEC 10-16-16 (WELLSITE)
30504001W	\$12.05	\$0.00	\$12.05	FIRST HALF	CTRL PTN S2 NE4 .20 AC SEC 10- 16-16
305046280	\$12.05	\$0.00	\$12.05	FIRST HALF	RANCHO DEL LAGO BOOSTER SITE
30506004D	\$12.05	\$0.00	\$12.05	FIRST HALF	N CTRL PTN S2 SE4 .15 AC SEC 4- 16-16

9172

VAIL WATER COMPANY1010 N FINANCE CENTER DR, STE 200
TUCSON, AZ 85710
(520) 571-1958**BANK OF TUCSON**
TUCSON, ARIZONA 85732
91-556-1221

9/26/2007

PAY TO THE ORDER OF Beth Ford, Pima County Treasurer

\$ **62,301.83

Sixty-Two Thousand Three Hundred One and 83/100*****

DOLLARS

Beth Ford, Pima County Treasurer
Pima County Treasurer's Office
PO Box 98765
Phoenix, AZ 85038-0765

TWO SIGNATURES REQUIRED

MEMO

⑈009172⑈ ⑆122105566⑆ 700⑈000⑈3⑈

Security Features Included. Details on back.

MP

VAIL WATER COMPANY

Beth Ford, Pima County Treasurer

9/26/2007

9172

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/1/2007	Bill	30504001L 1/07	98.19	98.19		98.19
10/1/2007	Bill	30504001V 1/07	12.05	12.05		12.05
10/1/2007	Bill	30504001W 1/07	12.05	12.05		12.05
10/1/2007	Bill	305046280 1/07	12.05	12.05		12.05
10/1/2007	Bill	30506004D 1/07	12.05	12.05		12.05
10/1/2007	Bill	30508001D 1/07	12.05	12.05		12.05
10/1/2007	Bill	305110280 1/07	19.62	19.62		19.62
10/1/2007	Bill	30512008B 1/07	14.88	14.88		14.88
10/1/2007	Bill	305140110 1/07	14.88	14.88		14.88
10/1/2007	Bill	30520001C 1/07	62.30	62.30		62.30
10/1/2007	Bill	305392090 1/07	44.65	44.65		44.65
10/1/2007	Bill	305900930 1/07	18.04	18.04		18.04
10/1/2007	Bill	907520000 1/07	61,969.02	61,969.02		61,969.02
				Check Amount		62,301.83

Bank of Tucson

62,301.83

VAIL WATER COMPANY

Beth Ford, Pima County Treasurer

9/26/2007

9172

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/1/2007	Bill	30504001L 1/07	98.19	98.19		98.19
10/1/2007	Bill	30504001V 1/07	12.05	12.05		12.05
10/1/2007	Bill	30504001W 1/07	12.05	12.05		12.05
10/1/2007	Bill	305046280 1/07	12.05	12.05		12.05
10/1/2007	Bill	30506004D 1/07	12.05	12.05		12.05
10/1/2007	Bill	30508001D 1/07	12.05	12.05		12.05
10/1/2007	Bill	305110280 1/07	19.62	19.62		19.62
10/1/2007	Bill	30512008B 1/07	14.88	14.88		14.88
10/1/2007	Bill	305140110 1/07	14.88	14.88		14.88
10/1/2007	Bill	30520001C 1/07	62.30	62.30		62.30
10/1/2007	Bill	305392090 1/07	44.65	44.65		44.65
10/1/2007	Bill	305900930 1/07	18.04	18.04		18.04
10/1/2007	Bill	907520000 1/07	61,969.02	61,969.02		61,969.02
				Check Amount		62,301.83

Bank of Tucson

62,301.83

VERIFICATION
AND
SWORN STATEMENT
Taxes

RECEIVED
FEB 08 2008

AZORP COMMISSION
Director Utilities

VERIFICATION

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	<u>Pima</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Christopher T Volpe</u>
COMPANY NAME	<u>Vail Water Company</u>

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

Christopher T. Volpe

SIGNATURE OF OWNER OR OFFICIAL

520 571-1958 x105

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

5th

DAY OF

Linda T. Yaney

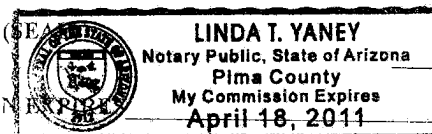
COUNTY NAME

Pima

MONTH

Feb

2008



Linda T. Yaney
SIGNATURE OF NOTARY PUBLIC

Company Name VAIL WATER COMPANY, INC. YEAR ENDING 12/31/07

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>\$0</u>
Estimated or Actual Federal Tax Liability	<u>\$0</u>

State Taxable Income Reported	<u>\$0</u>
Estimated or Actual State Tax Liability	<u>\$0</u>

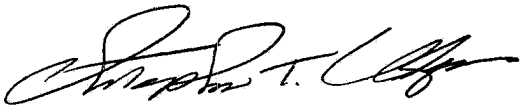
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>N/A</u>
Amount of Gross-Up Tax Collected	<u>N/A</u>
Total Grossed-Up Contributions/Advances	<u>N/A</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

2/5/08

DATE

CHRISTOPHER T. VOLPE

PRINTED NAME

VICE President

TITLE

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

RECEIVED

FEB 08 2008

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	<u>Pima</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Christopher T Volpe</u>
COMPANY NAME	<u>VALE WATER Company</u>

ARIZONA CORPORATION COMMISSION
REGULATORY UTILITIES

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2007</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2007 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,551,132

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 137,790
IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

Christopher T. Volpe
SIGNATURE OF OWNER OR OFFICIAL
520 571-1958 x105
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

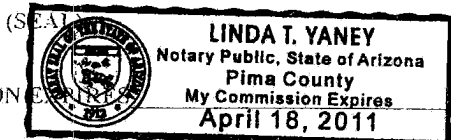
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

5th

DAY OF

COUNTY NAME	<u>Pima</u>	
MONTH	<u>Feb</u>	<u>2008</u>



Linda T. Yanez
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only

RECEIVED

FEB 9 2008

CORP COMM
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	Pima	
NAME (OWNER OR OFFICIAL)	Christopher T Volpe	TITLE Vice President
COMPANY NAME	Vail Water Company	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2007 WAS:

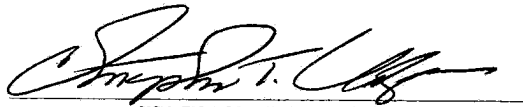
ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,770,354

THE AMOUNT IN BOX AT LEFT

INCLUDES \$ 108,695
IN SALES TAXES BILLED, OR COLLECTED)

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.


SIGNATURE OF OWNER OR OFFICIAL

520 571-1958 X105
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

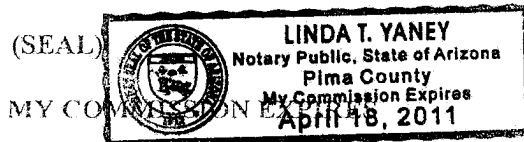
THIS

5th

DAY OF

NOTARY PUBLIC NAME	Linda T. Yaney	
COUNTY NAME	Pima	
MONTH	Feb	.2008

(SEAL)



X 
SIGNATURE OF NOTARY PUBLIC

.

VAIL WATER COMPANY

AUDITED FINANCIAL STATEMENTS

December 31, 2007 and 2006

Vail Water Company
Audited Financial Statements
December 31, 2007 and 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Statements of Assets, Capitalization and Liabilities - Income Tax Basis	2
Statements of Revenue, Expenses and Accumulated Earnings - Income Tax Basis	4
Notes to Financial Statements	5

INDEPENDENT AUDITORS' REPORT

Board of Directors
Vail Water Company
Tucson, Arizona

We have audited the accompanying statements of assets, capitalization and liabilities - income tax basis of Vail Water Company (an Arizona S-Corporation) as of December 31, 2007 and 2006, and the related statements of revenue, expenses and accumulated earnings - income tax basis for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the basis of accounting the Company uses for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, capitalization, and liabilities of Vail Water Company at December 31, 2007 and 2006 and its revenue, expenses and accumulated earnings for the years then ended, on the basis of accounting described in Note 2.



La Voie & Company, P.C.
Tucson, Arizona
January 24, 2008

Vail Water Company

STATEMENTS OF ASSETS, CAPITALIZATION AND
LIABILITIES - INCOME TAX BASIS

		December 31,	
		2007	2006
ASSETS			
Utility Plant:			
Land	\$	17,750	\$ 11,000
Plant and equipment (Note 3)		19,402,242	16,116,417
Construction work-in-progress (Note 4)		88,475	514,662
Total Utility Plant		19,508,467	16,642,079
Less accumulated depreciation		(3,406,814)	(2,768,313)
Net Utility Plant		16,101,653	13,873,766
Other Assets		3,500	9,293
Current Assets:			
Cash		237,292	365,734
Customer accounts receivable		141,635	174,394
Receivable from annexation group		67,876	76,791
Prepaid expenses		14,961	13,329
Total Current Assets		461,764	630,248
Noncurrent Assets:			
Money market funds (Note 5)		222,987	525,354
Certificates of deposit (Note 5)		2,578,908	2,166,518
		2,801,895	2,691,872
Total Assets	\$	<u>19,368,812</u>	<u>\$ 17,205,179</u>

The accompanying notes are an integral part of these financial statements.

CAPITALIZATION & LIABILITIES	December 31,	
	2007	2006
Capitalization:		
Common stock (\$10 par value; 1,000,000 shares authorized; 63,810 shares issued and outstanding)	\$ 638,099	\$ 638,099
Capital-in-excess of stated value	2,445,314	2,445,314
Accumulated earnings	<u>1,202,899</u>	<u>1,333,810</u>
Total Capitalization	4,286,312	4,417,223
Current Liabilities:		
Accounts payable and accrued expenses	136,284	184,204
Customer deposits, current portion (Note 6)	<u>201,000</u>	<u>232,000</u>
Total Current Liabilities	337,284	416,204
Customer Deposits, long-term (Note 6)	758,033	815,503
Advances For Construction:		
Line extension agreements (Note 8)	12,417,064	10,014,605
Hook-up fee tariffs (Note 9)	1,162,241	1,065,135
Sub-station advance	30,000	30,000
Annexation participation agreement	<u>377,878</u>	<u>446,509</u>
Total Advances For Construction	<u>13,987,183</u>	<u>11,556,249</u>
Total Liabilities	<u>15,082,500</u>	<u>12,787,956</u>
Total Capitalization and Liabilities	<u>\$ 19,368,812</u>	<u>\$ 17,205,179</u>

The accompanying notes are an integral part of these financial statements.

Vail Water Company

STATEMENTS OF REVENUE, EXPENSES
AND ACCUMULATED EARNINGS
- INCOME TAX BASIS

	For The Years Ended December 31,	
	2007	2006
Operating Revenue:		
Water sales	\$ 2,149,645	\$ 1,983,904
Fees and other income	<u>273,864</u>	<u>960,524</u>
Total Operating Revenue	2,423,509	2,944,428
Operating Expenses:		
Administrative and general	692,117	624,466
Professional services	467,837	398,559
Depreciation and amortization	599,724	534,236
Purchased power	168,018	167,810
Property and other taxes	133,706	97,859
Repairs and maintenance	14,561	27,450
Other	<u>44,885</u>	<u>45,102</u>
Total Operating Expenses	<u>2,120,848</u>	<u>1,895,482</u>
Income Before Interest Income and Expense	302,661	1,048,946
Interest Income	126,686	128,544
Interest Expense	<u>(10,258)</u>	<u>(10,928)</u>
Net Income	419,089	1,166,562
Distributions to shareholders	(550,000)	(700,000)
Accumulated earnings, beginning of year	<u>1,333,810</u>	<u>867,248</u>
Accumulated earnings, end of year	<u>\$ 1,202,899</u>	<u>\$ 1,333,810</u>

The accompanying notes are an integral part of these financial statements.

Vail Water Company
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

Note 1 - ORGANIZATION HISTORY AND NATURE OF OPERATIONS

Vail Water Company (the "Company"), formerly known as Del Lago Water Company, was formed on June 10, 1959 as a corporation under the laws of the State of Arizona. The Company is engaged in the regulated utility business of public water supply. The Company is regulated by several Arizona agencies, including the Arizona Corporation Commission (ACC), which has jurisdiction with respect to rates, services, accounting procedures and other matters. The Company is operating under a rate order effective May 1, 2000.

The Company provides groundwater to approximately 3,549 customers in Vail, Arizona. As a consequence of utilizing groundwater, the Company is subject to various water conservation requirements authorized pursuant to the Arizona Revised Statutes 45-566. In addition, the Company has a fully executed, judicially validated, municipal subcontract with the Central Arizona Water Conservation District and the United States of America for the purchase of up to 786 acre feet per annum of Central Arizona Project Water. Effective January 1, 2008, the Company entered into a fully executed, judicially validated, municipal subcontract with the Central Arizona Water Conservation District and the United States of America, for the purchase of an additional 1,071 acre feet per annum of Central Arizona Project Water. This brings the total per annum acre feet of Central Arizona Project Water to 1,857.

Under a Decision and Order dated November 10, 2005, the Department of Water Resources of the State of Arizona designated the Company as having an assured water supply of 3,749 acre feet. Certain conditions apply including on going reporting by the Company to the Department of Water Resources.

The Company owns nine registered wells, four of which provide water to customers.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements have been prepared on the basis of accounting that the Company uses to file its income tax return. The basis differs from generally accepted accounting principles (GAAP) in the following ways:

a) The tax basis of accounting requires that contributions in aid of construction (whether or not made by the utility's shareholders) received after June 12, 1996, are not taxable when received and have a zero tax basis to the Company:

- 1) if not included in the utility's rate base for rate making purposes,
- 2) if used to acquire or construct property before the end of the second year following receipt of the contribution, and
- 3) if certain conditions concerning the keeping of records are met.

For GAAP, a regulated entity should capitalize costs if it is possible that future revenue will be provided to recover the costs and record a liability for revenue that provides recovery of expected future costs. Under GAAP, this deferred revenue, recorded as a liability, should be recognized in income as related costs are incurred.

Vail Water Company
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b) The tax basis of accounting expenses certain costs when paid under the economic performance rules. GAAP accounting requires the recognition of expenses as incurred.
- c) The tax basis of accounting uses specific statutory lives for depreciation purposes. GAAP requires assets to be depreciated over the assets' estimated useful lives.
- d) The tax basis of accounting uses the direct write-off method for bad debts while GAAP uses the reserve method.

Plant and Equipment - Plant and equipment are stated at cost and are depreciated using straight-line and accelerated methods as allowed by the Internal Revenue Code over statutory lives of the applicable assets (Note 3).

Income Taxes - The stockholders of the Company have elected to have the corporation taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, the separately stated items of income and deductions of the corporation will be reported on the income tax returns of the individual stockholders.

Generally, a corporation computes built-in gains or losses on the conversion of a C Corporation to an S Corporation based on the differences between the fair market value and tax basis of the assets held by the corporation. At the time the Company converted to S Corporation status, it had no built-in gains or losses. Also, when the Company was a C Corporation, it had net operating losses totaling \$891,000 at the time of its conversion to S Corporation status. These net operating losses are suspended indefinitely while the Company remains an S Corporation.

Advances and Contributions in Aid of Construction - Outside parties, generally customers and developers, make payments to the Company to fund certain capital expenditures to provide water to new customers. Amounts received are recorded as liabilities. Generally, as new customers begin to receive service, most of these amounts are refundable for limited periods of times. After the Company has paid all required refunds, the remaining balances are recorded as contributions in aid of construction. Contributions in aid of construction are amortized to income over the lives of the respective plant assets they relate to. Nonrefundable amounts received by the Company are recorded as contributions in aid of construction, as discussed under Basis of Accounting, paragraph a), above.

Concentrations of Credit Risk - In the normal course of business, the Company extends unsecured credit to customers.

The Company holds its cash balances in four financial institutions. Accounts at these institutions are insured up to \$100,000 by the FDIC. At December 31, 2007 and 2006, the Company's uninsured bank balances totaled \$2,750,000 and \$2,757,000, respectively.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications - Certain amounts for 2006 have been reclassified to conform to the 2007 presentation.

Vail Water Company
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

Note 3 - PLANT AND EQUIPMENT

Plant and equipment at December 31 consists of:

	<u>2007</u>	<u>2006</u>
Structures and improvements	\$ 395,446	\$ 176,995
Wells and springs	1,126,979	1,126,979
Pumping equipment	1,555,546	1,313,714
Distribution reservoirs and standpipes	1,592,845	983,172
Transmission and distribution mains	13,806,051	11,574,793
Meters	809,302	827,533
Other equipment and furniture	<u>116,073</u>	<u>113,231</u>
	<u>\$19,402,242</u>	<u>\$16,116,417</u>

Depreciation expense charged to operations was \$670,948 and \$587,782 in 2007 and 2006, respectively.

The lives of plant and equipment for purposes of computing depreciation are:

Utility plant	20 - 40 years
Furniture and fixtures	7 - 10 years
Equipment	5 - 7 years

Note 4 - CONSTRUCTION WORK-IN-PROGRESS

Construction work-in-progress typically consists of water mains, transmission and distribution lines and reservoirs. Construction work-in-progress is funded by advances for construction. For 2007, the Company brought on line a new reservoir and an administrative office.

Note 5 - NONCURRENT ASSETS

The money market funds and certificates of deposit are restricted for the following purposes at December 31:

	<u>2007</u>	<u>2006</u>
Hookup tariff (Note 9)	\$ 222,987	\$ 525,354
CAP hookup and service charge (Note 10)	<u>2,578,908</u>	<u>2,166,518</u>
	<u>\$2,801,895</u>	<u>\$2,691,872</u>

Vail Water Company
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

Note 6 - CUSTOMER DEPOSITS

Customers are required to make meter, service line, and guarantee deposits when service is initiated. Meter and service line deposits are subject to the Company's 2000 rate order and are refundable at a rate of 10% per year.

Guarantee deposits are refunded after one year of satisfactory water payments. The guarantee deposits bear interest, which is periodically paid to the customers. Customer deposits at December 31 were:

	<u>2007</u>	<u>2006</u>
Meter	\$ 841,233	\$ 904,448
Service line	1,250	2,130
Guarantee	<u>116,550</u>	<u>140,295</u>
	959,033	1,047,503
Less current portion	<u>(201,000)</u>	<u>(232,000)</u>
	<u>\$ 758,033</u>	<u>\$ 815,503</u>

The schedule of estimated deposit refunds payable to customers for each of the next five years and in the aggregate, as of December 31, is as follows:

	<u>Annual Refund</u>
2008	\$201,000
2009	76,000
2010	68,000
2011	61,000
2012	55,000
Thereafter	<u>498,033</u>
	<u>\$959,033</u>

Note 7 - LONG-TERM NOTE PAYABLE

The Company had an unsecured long-term note payable to the Water Infrastructure Finance Authority (WIFA) which it prepaid in early 2006. The total loan facility was \$644,000 and was payable in monthly installments of not less than \$4,711 plus \$942 to a reserve account. The interest rate was 6.26%. The balance retired was \$455,449.

This loan commitment with WIFA of Arizona was for the development of a chlorination facility, booster station upgrades and main extension upgrades. Pursuant to the May 2000 rate order, the Company was required to collect a monthly surcharge of \$6.92 per customer which was used to pay the loan when drawn on. These funds were required to be deposited in a restricted cash account. The revenue from these fees was recorded as unearned income until the funds collected were used to pay the outstanding loan amounts. Accordingly, the Company recognized all remaining unearned revenues of \$448,997 in 2006.

Vail Water Company
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

Note 8 - LINE EXTENSION AGREEMENTS

Developers and customers, on behalf of the Company, constructed line extensions to provide service to their property. The Company agrees to refund amounts, up to the cost of such extensions, over 10 to 20 years based upon 10% to 20% of gross annual revenue from water sales to the customers serviced by the lines. At the expiration of this period any unrefunded balance remains with the Company and is classified as contributions in aid of construction. No agreements expired during 2007 and 2006.

Note 9 - HOOK-UP FEE TARIFFS

On January 14, 1998, the Arizona Corporation Commission approved an off-site facilities hook-up fee tariff, initially applicable to the south service area, until such time as the north and south systems were physically connected. The interconnection of the two systems was completed and accepted by Pima County DEQ on March 14, 2002. The hook up fee tariff is now being charged throughout the Company's service area. Customers have advanced funds to the Company for these hook-up fees. The fees are a non-refundable charge assessed to new connections requiring a main extension.

Note 10 - CENTRAL ARIZONA PROJECT

As a condition of the May 2000 rate order, the Company agreed to begin recharging its CAP water allocation within six months. As a result of this condition, the Company entered into a contract with the Central Arizona Water Conservation District for the provision of incentive recharge water. The contract is subject to the terms and conditions of the original municipal subcontract entered into between the parties. In order to recover its associated costs, the May 2000 rate order approved a CAP hookup fee of \$1,000 for all new line extensions and subdivisions north of well No. 3, and a CAP service charge of \$.32 per 1,000 gallons of usage that applies to all customers. Following the interconnection of the systems north and south of well No. 3, the CAP hookup fee will also apply to all customers. The Company collected \$117,000 and \$319,000 of CAP hookup fees during 2007 and 2006, respectively. The CAP service charge is to be segregated in an interest bearing account and used solely for the purpose of paying CAP holding and M&I expenses.

The Company has entered into a contract to recharge its entire CAP allocation for the purpose of accumulating long-term storage credits.

The Company entered into a lease arrangement with Del Lago Golf, LLC, an entity owned by certain shareholders of the Company, to lease 142 and 135 acre feet of long-term storage credits, in 2007 and 2006, respectively.

Vail Water Company
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

Note 11 - RELATED PARTY TRANSACTIONS

During 2007 and 2006, the Company charged Del Lago Golf, LLC, an entity owned by certain stockholders of the Company, \$41,000 and \$55,000, respectively, for water usage, storage credits, and energy use. The amounts in customer accounts receivable from this entity at December 31, 2007 and 2006 was \$4,000 and \$17,000, respectively.

The Company has entered into an agreement for management services with a corporation controlled by a stockholder of the Company. The management agreement expired December 31, 2007 and required the Company to pay \$8.50 per customer per month in exchange for certain accounting and administrative functions. Management services paid under the contract for 2007 and 2006, were \$358,000 and \$342,000, respectively. Management services are included in professional services. At December 31, 2007 and 2006, \$30,000 and \$29,000 respectively, are included in accounts payable and accrued expenses. A new agreement was entered into for 2008 at \$8.50 per customer.

The Company leased an office from a partnership controlled by some of the Company's shareholders. The lease terminated on April 1, 2007. Rent expense for 2007 and 2006 was \$7,000 and \$21,000, respectively.

The Company entered into a ten-year ground lease with Del Lago Golf, LLC, an entity owned by certain stockholders of the Company. The lease calls for rate increases of 3% each March 1. Rent expense for 2007 was \$5,000.

Note 12 - STOCK TRANSFER RESTRICTIONS

The stockholders have entered into a Stockholders' Agreement, which establishes certain transfer restrictions on the stock of the Company as follows:

- a) Stockholders may not assign, sell, pledge, encumber, give or otherwise transfer, or alienate any shares to another entity if such transfer would revoke the Company's S Corporation tax status.
- b) Stockholders may transfer their shares to, or for the benefit of, an immediate family member subject to certain restrictions of the Agreement.
- c) Stockholders may transfer all or any number of shares to one or more members of the stockholder group.
- d) The Agreement provides certain stock transfer restrictions in the event that a stockholder shall die, become permanently disabled or become subject to another event defined as an Involuntary Lifetime Transfer in the Agreement.

Note 13 - PENSION PLAN

The Company entered into a salary deferral plan under IRC Section 401(k). Participants must be 21 and have six months of service to enter the Plan. The Company made no contributions to the Plan for 2007 or 2006.

COMPANY NAME: VAIL WATER COMPANY

Name of System: ADEQ Public Water System Number: 10041

~~XX~~ Revised PageWATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	XX GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	3,447	24,486	26,558	
FEBRUARY	3,468	23,981	25,372	
MARCH	3,463	22,967	26,031	
APRIL	3,476	32,719	34,916	
MAY	3,486	29,291	28,422	
JUNE	3,520	41,131	45,573	
JULY	3,510	37,012	38,315	
AUGUST	3,529	28,925	35,100	
SEPTEMBER	3,518	31,023	34,065	
OCTOBER	3,551	30,450	32,621	
NOVEMBER	3,558	32,037	34,691	
DECEMBER	3,549	22,948	25,024	
TOTALS →		356,970	386,688	

Well 3 .004 Well 6 .002
 Well 5 .002 Well 8 .004

What is the level of arsenic for each well on your system? _____ mg/l
 (If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 1,000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
 (x) Yes () No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
 (x) Yes () No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
 (x) Yes () No

If yes, provide the GPCPD amount: 122 PPPD

Note: If you are filing for more than one system, please provide separate data sheets for each system.